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Testimony Regarding MEDC Presentation

During the March 8, 2017 Tax Policy Committee hearing two gentlemen made an assertion that deserves further discussion. Mr. Steve Arwood, Chief Executive Officer of the Michigan Economic Development Corporation and Mr. Jeremy Hendges, Chief Deputy Director of the Michigan Department of Talent and Economic Development testified that every \$1 of taxpayer funds spent on Pure Michigan returns \$7.67.

This is a remarkable return on investment that policymakers would be foolish to ignore. It is my understanding that Pure Michigan receives in the neighborhood of \$30 million per year. If you do the math this \$30 million expenditure returns about \$230 million.

With this phenomenal return I question why our state government doesn't increase the annual budget for Pure Michigan? An expenditure of \$300 million would return \$2.3 billion which equates to over \$2 billion in new tax revenue.

This extra \$2 billion/year in tax revenue could fund a tax cut for hard-working Michigan citizens. This increase in revenue would fund an income tax cut nearly twice the size of the one proposed earlier in this legislative session. With the new and ongoing revenue stream this income tax cut could be implemented immediately. We do not need to wait years to phase it in.

I urge the House Tax Policy Committee to move forward quickly with drafting legislation for this income tax cut. As you draft this legislation I ask for your consideration regarding these policy issues:

- Should tax cut legislation should tie bar with Pure Michigan legislation to insure revenue neutrality?
- Should an even larger expenditure for Pure Michigan be considered to provide funds for even greater tax relief? Perhaps you could add a refundable tax credit for middle-class wage earners.
- Should Michigan increase taxes on business who benefit directly from Pure Michigan? This new tax revenue could be earmarked for expanding Pure Michigan even further, providing even more financial benefits for these specific businesses.

The policy change discussed above has implications for more than just Pure Michigan. For example, targeted tax cuts are often implemented to enhance economic growth. Perhaps this committee could investigate the "return on investment" for all targeted tax cuts and economic development programs. It is possible that you may find the same phenomenal returns as those claimed for Pure Michigan. If that is the case you should fund further income tax cuts by expanding these programs.

Any targeted tax cut or economic development program which falls short of an annual return of 767% should be discontinued. Revenue from any discontinued programs can be appropriated to Pure Michigan. Perhaps there will be enough new revenue to totally eliminate the state income tax.